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EC Discusses Price Supports

World Beef and Cattle Prospects

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This week's cover:

A gloomy day at a French cattle market. The European Community, a major world beef importing area, has a chronic beef shortage and a growing demand; and its possibilities of filling all its own needs seem remote, despite efforts to spur livestock production. Other principal importing areas also have strengthening demand, which is good news for the world's cattle producers. See pages 2-6. (Photo, French Ministry of Agriculture.)

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The European Community Bargains This Month Over Levels Of Price Support For 1972-73

By JOHN F. HUDSON
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When the European Community's Council of Ministers meets March 13, 14, and 15, it will try to put together a farm support price package for the 1972-73 marketing year. The package is extraordinarily complicated.

The bargaining must cover not only the level of support prices, but the reestablishment of a common level of support in each Member State, possibly fixing a new value for the unit of account from which Member State support prices are calculated; measures to reduce exchange rate fluctuation; proposals for reforming the structure of agriculture and the method of agricultural support; and demands for additional Common Agricultural Policy (CAP) regulations to strengthen the CAP and extend it to new products. Consultation with the British, Irish, Danes, and Norwegians on these issues also must be completed before the EC Council can decide on them.

Price proposals. The EC Commission (the Community's executive organ) has two price policy objectives: To find a level of prices the Member States can agree on for 1972-73 and to establish a policy formula for annual price determination in which price increases will be aimed only at meeting the income needs of the most efficient farms. The needs of other farms would have to be met by other means, including structural reform such as aid for farm improvements.

Under the price formula the Commission recommends, the Council would fix prices each year at a level that would enable farms whose income is now comparable to that in nonfarm sectors to maintain that comparability. For these farms, prices would be increased to the extent necessary to offset inflation, after allowing for increases in productivity. With this formula in mind, the Commission proposed last June that 1972-73 prices be increased 2 to 3 percent, which when combined with an annual 3-percent increase in productivity should offset an estimated annual increase of 5 to 6 percent in costs.

At the same time, for about 300,000 farmers, the Commission proposed an income subsidy of $600 per year in return for early retirement. For another 480,000 farmers eligible for proposed farm improvement aid, the Commission proposed an income subsidy starting at $600 the first year and dropping $100 per year to zero after 6 years. These income subsidy proposals are still on the table.

In the meantime, however, the Commission has had to revise its price proposals upward. This revision is explained not as a change in the proposed formula but as a one-time increase to catch up with past income erosion due to inflation. The revised proposals, as submitted to the Council on February 2, called for increases spread over 2 years in some cases (see accompanying table).

To these price proposals the Commission has added the income subsidy proposals mentioned above, plus proposals to—

- Eliminate the obligation of EC intervention agencies to buy all grain offered in the first month or two of harvest. To the extent grain is not bought by these government agencies and the holder cannot afford to store it, internal market prices in the EC are likely to drop below support levels at the beginning of the season.
- Offer a one-time premium to increase beef cattle herds. The premium would be paid to farms which have the equivalent of at least 30 adult cattle and will increase this number by 30 percent. The premium would be $60 per head of starting herd. About 46,000 farms would benefit.
- Provide more favorable treatment for the importation of calves, and
- Extend for another year Italy's right to reduce levies by $7.50 per ton on feedgrains imported by sea. Further extension of this privilege after 1972-73 would be decided by the Council.

The price proposals put to the Council are slightly lower than those originally proposed to the Commission by Sicco Mansholt, its vice president. The circumstances bringing about the changes are not known to us, but it is interesting that in considering what price the Commission should propose, one of the Italian members of the Commission, Altiero Spinelli, challenged the increases then under review on the grounds that the increases suggested would not help small farmers, would aggravate the adjustment problem of the United Kingdom and other new members, and would irritate the United States. Mr. Spinelli recommended, instead, that support prices be raised for livestock products only and that deficiency payments of $20 per hectare (about $8 per acre) be given to farmers for the first 20 hectares (49 acres) planted to grains.

Concern has also been expressed in France that the proposed increases may be too high. Moreover, the French question whether the proposed price formula, which would relate future price increases to productivity increases and inflation, would also permit relatively greater price incentives to livestock products, which France considers should be encouraged.

French spokesmen further insist that it is important to settle the question of exchange rate fluctuation (below), before attacking the price issue. The Dutch have also supported this view.

The German, Belgian, and Luxembourg governments, on the other hand, see little reason to delay the price decisions even if progress cannot be made in the monetary field. These governments point out that the 1972-73 season begins April 1 for beef and dairy products, so that a decision on prices for these products is particularly urgent.

Italy gives top priority to structural reform, not prices.

Price unification. EC farm support prices and the variable import levies which protect them are calculated from a common unit of account at fixed exchange rates. However, since these rates do not take account of the changes in EC currency values since May 1971, support prices in Germany are now about 5 percent above the "common" level which would apply if unit of account figures were converted to national prices at current exchange rates. Benelux prices are about 3 percent too high, French prices even, and Italian prices 1 percent too low.

The EC Commission and most Member States want to bring these prices together again. Germany, however, is concerned that this action may require

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PARTIAL LIST OF PRICES PROPOSED BY THE EC COMMISSION [1]

Commodity	Actual price 1971-72	Proposed price 1972-73	Proposed price 1973-74
	Units of account per metric ton [2]	*Units of account per metric ton* [2]	*Units of account per metric ton* [2]
Non-Durum wheat	109.44	113.80	114.90
Durum wheat	127.50	132.60	133.90
Barley	100.21	104.50	106.50
Corn	96.90	101.30	104.20
Rice	202.00	211.50	(3)
Milk	109.00	117.70	(3)
Butter	1,780.00	1,780.00	(3)
Skim milk powder	470.00	565.70	(3)
Live cattle	720.00	785.00	815.00
Live calves	942.50	965.00	(3)
Sugar	238.00	244.00	(3)
Rapeseed	202.50	210.50	(3)
Tobacco (Italian):			
Burley	1,425.00	1,451.00	(3)
Kentucky	1,380.00	1,490.00	(3)
Bright	1,662.00	1,795.00	(3)

[1] Target price, except intervention price for butter and skim milk powder, orientation price for cattle and calves, standard price for tobacco. [2] The unit of account has been equal to the dollar, and unit of account figures in this article are generally cited in dollars. This situation is changing, however, with the realinement of exchange rates agreed to in Washington on Dec. 18, 1971. [3] No proposal at this time.

Demand, Production, and Prices Strengthen Position Of World Beef and Cattle Industry

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The world's beef and cattle industry is in a more favorable position than it was in late 1970. World demand for beef is increasing. Production continues to expand. Prices, despite the rising output of beef, have been strong. These and other factors in the beef and cattle industry are dominant in the major exporting and importing countries of the world.

Among the exporting countries **Australia** is a relatively efficient cattle producing country that is capitalizing on the growing demand for beef around the world. At the same time, wool prices in Australia continue at very low levels, so that wool producers are shifting from sheep to beef cattle.

Output of beef and veal has risen steadily in the past 4 years. This year Australia will set a new record of 2,555 million pounds which is about a tenth of U.S. production.

Australia has become the world's leading beef exporter, taking over the position held for a long time by Argentina. This year Australia will export something like 1,455 million pounds. A substantial part will be sent to the United States. But Australia has been successfully exporting to other countries where demand is high, such as Japan, the United Kingdom, the Soviet Union, and a number of lesser customers. Australia also has found new markets for its mutton, primarily in Japan, and, in recent years, in the Soviet Union.

Cattle prices, despite peak beef production, are at near-record levels. January 1972 prices of bullocks at Sydney were 23 percent above their 1969 average. This price situation—record production accompanied by near-record prices for cattle—is what we call "market strength." This production-price pattern reveals as much as anything else that the demand for beef is creating a tremendous market for all the beef exporting countries.

For the people of Australia, however, the international market has been a mixed blessing. Australia's consumers, confronted with beef prices higher than they have been accustomed to paying, have turned to some extent to other meats and per capita beef consumption has slackened.

The situation in **New Zealand** is similar. The demand for beef, largely for export, is supporting a continued expansion of the cattle industry.

Beef production has risen steadily for several years. Exports, a big part of which go to the United States and the other countries to which Australia also ships, will hit an estimated peak this year of about 600 million pounds, carcass weight. Prices of livestock to be slaughtered for export have been unusually strong despite the increase in beef output. January 1972 prices paid by exporters for beef animals were 32 percent above their 1969 average. Per capita consumption of beef in New Zealand has increased slightly in recent years.

Argentina is the world's second-largest exporter of beef. And beef still accounts for a substantial part of the country's export earnings. In recent years, however, Argentina has not produced all the beef required to meet both domestic demand and export requirements. The fact that Argentina's exports have dropped off at a time when global demand for beef has been high has contributed strength to beef prices all over the world.

What changed the beef picture for Argentina?

For one thing, heavy slaughter in 1969 and early 1970 reduced cattle numbers very sharply. Beef production in 1971 had to be curtailed. Also, heavy per capita beef consumption has been a factor. The people of Argentina consume more beef and veal per person than the people of any other country in the world. In 1970 they ate about 176 pounds per person per year. Consumption dropped off in 1971, largely because the Government banned retail beef sales on an alternate weekly basis throughout much of the year as a means of increasing export availabilities. These weekly bans are still in effect. The Government is taking other steps to encourage beef exports, such as giving shippers a favorable rate of exchange on their export earnings.

Argentina, like Australia and New Zealand, has had good success in broadening its export market. The European Community and the United Kingdom continue to be the top markets, but Argentine chilled and frozen beef is going to many other destinations in Western Europe, Eastern Europe, Africa, South America, and elsewhere. Because of foot-and-mouth disease, the United States imports from Argentina only canned and cooked-frozen beef.

Prices of live cattle in Argentina have

Based on speech by Mr. Ioanes before National Livestock Feeders Association, Omaha, Nebr., February 10, 1972.

been strong. From about $9.00 a hundred pounds in mid-1970, prices increased to over $19.00 in recent weeks, or more than double. In terms of pesos, which are inflated, the increase was from 90 to 284 pesos—or more than triple.

Increases in cattle numbers in Argentina clearly signal a comeback in 1972. The forecast for 1972 is for production of 5.4 billion pounds of beef, carcass weight equivalent, which would be 20 percent above the 4.5 billion pounds produced in 1971.

It could be expected that with the favorable prices Argentine meat is commanding in the world market—and with continued curtailment of domestic consumption—that Argentina's exports in 1972 could hit 1.3 billion pounds, carcass weight. That would be 24 percent above exports in 1971—but it would also be 13 percent below the 1967-70 average—a period when Argentina was the world's top beef exporter.

Whether these exports materialize will depend on a continuation of favorable incentives to export and on the Government programs to dampen domestic demand. Should there be any changes in these measures the changes probably would be in the direction of recognizing the importance of the home market.

Mexico and Central America are important suppliers to the United States. In both areas cattle numbers are increasing and beef and veal production is rising. Prices have been strong, reflecting, of course, the strength of the U.S. beef market.

Mexico is the major supplier of feeder cattle to the United States and each year sets an export quota for the 12 months beginning in September. The 1971-72 quota is 661,000 head, with authorizations requested for an additional 55,000. Mexico also exports substantial quantities of beef to this country.

Central America's production of beef and veal has increased by almost 70 percent—to 605 million pounds—from the early 1960's. Most of the area's beef exports go to the United States.

Ireland is an exporter of beef and an increasingly important one. Ireland's main market has been the United Kingdom, which nowadays depends more on Ireland for supplies and less on Argentina. Ireland also ships beef to the United States.

Ireland's beef output has been rising steadily, but cattle prices have strengthened materially, nevertheless. In late January the price of prime steers was 25 percent above levels of a year earlier. Irish producers expect a continuation of extremely favorable market conditions for their cattle and beef.

The major foreign importing areas are the European Community and the United Kingdom.

The **European Community's** beef and veal production is pretty much a sideline of the dairy industry. The decline in the Community's dairy herd in recent years has been a factor inhibiting the growth of beef production. There are now signs of increasing shortage. A recent report from Europe indicates that a decline in the Community's cattle numbers may mean a falloff in beef and veal production of 7 percent in 1972. It was further reported that the Community may encourage imports of calves through payment of subsidies or premiums on imports, a 50-percent reduction in import duties, and the removal of import levies.

A shortage of calves has been a principal factor limiting beef production in the Community. This problem has two roots. First, veal is very popular in Europe, especially in Italy. Nearly 8 million calves a year are slaughtered for veal in the Community and this, of course, limits beef production. And second, the supply of calves is drying up.

The decline in Community dairy herds only partially explains the calf shortage. The Community, which once obtained a substantial part of its calves from Eastern Europe, now finds that Eastern Europe is keeping more and more of its calves at home to increase its own beef production. Some Europeans refer to the calf shortage as a "crisis."

The Community, although it protects its beef and cattle industry, is still one of the world's largest importers of beef. This year the area will bring in about 1 billion pounds of beef and veal, carcass weight, equal to about 10 percent of Community production. But even with these imports, the Community will not have enough beef to meet requirements.

The Community has what we call "bottled-up demand." The people of this area are itching to consume more beef. But with demand running head-on into limited supplies, prices have risen—which is not surprising. On April 1, 1971, the Community set its "orientation" price for mature cattle at $32.66 a hundred pounds; it plans to raise that price by 9 percent on April 1, 1972. Actual prices now are $32.60—up 12 percent from a year earlier. These are prices for dairy cattle, largely, not for grain-fed animals. These are also prices which, when passed along through an inefficient slaughter and meat distribution system, translate into extremely high prices at the meat counter.

Under such circumstances, per capita consumption of beef and veal is low even for an industrialized area where purchasing power is strong. In recent years the Community's per capita consumption has been virtually stationary at about 54 pounds—which is less than half of the U.S. level.

These comments reflect the Community's situation before enlargement. When the Six become the Ten by the addition of the United Kingdom, Ireland, Denmark, and Norway the outlook could be different. Ireland and Denmark are important beef producers and could expand their output to meet a portion of the deficit of the enlarged area. Also, consumption may be lower, especially in the United Kingdom, because of higher prices to consumers. However, these changes will come over a transition period of 5 years.

The **United Kingdom** is the third largest importer of beef and veal. Still importing about a third of the beef it consumes, Britain is today a major factor in world beef trade.

U.K. beef production, after having dropped off from the mid-1960 level, has recovered to the previous level in the past 2 years. Since imports have declined more than the production increase, beef consumption has dropped moderately. The combination of these factors has resulted in strong prices, especially in the past 2 years. The average price of fat cattle in the United Kingdom in late January averaged $33.50 per hundred pounds, which, in British currency, was about 30 percent above 1971 levels. Because the British market is more of an "open" market than others in Western Europe, British prices are a good reflection of changes in world beef values.

The United Kingdom has deemphasized its traditional program of deficit payments through which producers were reimbursed each week if market prices fell short of guarantee levels. Last July the British established a system of mini-

mum import prices that not only eased the drain on the British Treasury but also helped to pave the way for British adoption of the European Community's import system. However, strong world prices have been above U.K. minimums.

Japan is another area which, like the European Community, is experiencing bottled-up demand. Japan has a fantastically expanding rate of economic growth. Purchasing power continues to rise. Furthermore, Japan's consumers like red meats.

How long can the Japanese restrain this great demand? Pressures are rising. For instance, Japan liberalized imports of mutton and in 1971 brought in 265 million pounds, most of it from Australia. Although Japan still has import quotas on beef and veal, in 1971 it imported about 100 million pounds, almost double the imports of the previous year. Some of this meat was high-quality cuts from the United States, but the bulk came from Australia and New Zealand.

Japan is making efforts to expand its own beef production. However, its production base is small, and it will take many years for its beef output to reach significant proportions.

Will Japan be willing to wait for its own production? After all, the Japanese are people who, like us, work hard. And like us they want the better things of life. I don't think that they are going to be satisfied much longer to hold their annual beef consumption per capita to 6 or 7 pounds when practically all the other developed countries of the world have consumption far above that level.

Some of the centrally managed economies, especially the **Soviet Union and the Eastern European Countries,** are eager to improve their standards of living. The clearest indication of this is their desire to expand production and consumption of beef, pork, mutton, poultry, and other protein foods.

In recent years the Soviet Union has bought red meat from Australia and New Zealand and poultry from Western Europe. More than that, the Russians are buying breeding stock from Western Europe, Canada, and the United States to improve their herds. The recent Soviet purchase of $135 million worth of feedgrains is further evidence of the drive to improve diets. When Soviet Minister of Agriculture Matskevich was in this country recently he expressed keen interest in our corn and soybeans, our breeding stock, and in U.S. livestock feeding systems.

As a member of a U.S. grain team that visited Eastern Europe last fall, I observed there the same change in direction. We visited Romania, Hungary, Czechoslovakia, and Poland where Government officials expressed their determination to increase the availability of meat and other protein foods over the next few years. We understand that Hungary plans to buy cattle breeding stock from the United States. And as I have already pointed out, Eastern Europe is keeping more of its calves at home instead of selling them to Western Europe.

In a broader sense, what does all this mean? For one thing it means that even in the centrally managed economies the opinions and the needs of people are counting for more than they once did. There is a tremendous unfilled demand for the better things of life in the Soviet Union and in Eastern Europe. Governments are aware of this dissatisfaction with the present state of affairs and are, I believe, sincerely trying to do something about it. This is all to the good. Pursuit of an improved standard of living—in part through an expanded agricultural trade that would benefit American farmers—also would do much, I believe, to promote more peaceful relations between East and West.

Summing up, the demand factor is pulling world beef supplies into new market areas. Argentina found new markets in widely separated parts of the world after losing a substantial segment of its market in the United Kingdom. Australia and New Zealand have had considerable success in exploiting new market opportunities, including opportunities in Communist areas. Countries like Switzerland, Austria, Spain, Greece, and Israel have greatly expanded their imports and consumption of beef.

Beef production is increasing sharply in Australia and New Zealand. Argentina's production levels are making a comeback. This beef, plus exports from the smaller producing countries, is moving readily into consumption. And the world wants still more.

But the most impressive feature of the current situation by far is the price strength we are seeing. Record beef production is being marketed at attractive prices almost everywhere. Prices have improved in the United States. But prices also have been strong in Europe, Canada, and the other industrialized countries. Prices of cattle and beef have held up remarkably well in the exporting countries.

The world's beef and cattle industry is indeed in a very strong position today —stronger than it was a year ago.

Canada Makes Deficiency Payments to Hog Producers To Offset Low 1971 Prices

The Canadian Government will pay hog producers up to Can$1,000 per producer to offset low 1971 prices. The payment will be Can$5 per hog for all hogs indexing 100 or higher, up to a maximum of 200 hogs per farmer.

Canada Department of Agriculture (CDA) estimates that under this formula, more than 90 percent of the hog producers in Canada will receive Can$5 per hog for every hog they marketed that had a carcass quality of 100 or higher.

CDA economists cite as a reason that prices were driven down in North America when production soared to record-breaking levels. Production increased by 8.8 million hogs last year, 83 percent of the increase coming from U.S. production and 17 percent from Canada. Beginning late last year, production started to return to more normal levels, and the CDA economists forecast that production will be down by 7 percent in the United States and by 6 percent in Canada by midyear. Prices have been strengthening across North America in response to the return to lower production levels.

The deficiency payment will be made to farmers by the Agricultural Stabilization Board. The Board supports hog prices at 80 percent of the 10-year average. The national weighted price in 1971 was Can$23.67 per hundredweight; the support price (80 percent of the 10-year average) is Can$24.14 per hundredweight. That leaves a deficiency of 47 cents per hundredweight to be paid by the Agricultural Stabilization Board.

Minister of Agriculture H. A. (Bud) Olson points out that the payment of Can$5 per hog indexing 100 or more means hog farmers will receive more money from the Government than under strict application of the formula.

Rhodesian Tobacco Men Ask: "Will Agreement With United Kingdom Bring End to Trade Problems?"

Rhodesia and the United Kingdom are in what may be the final stage of negotiations to regularize relations between them. The pact has been accepted by the Parliaments of the two countries, subject to the proviso that Rhodesia's population as a whole be queried to determine whether the agreement is acceptable. This is being done by the so-called Pearce Commission which will make its findings public at a later date.

Because of the advanced status of the negotiations, some Rhodesian tobacco growers and exporters view the future with a mixture of optimism and impatience. They believe that resumption of normal relations with the United Kingdom could lead to abandonment of the United Nations embargo against Rhodesia and that trade with the United Kingdom and other U.N. members could be started immediately after.

But there are those in the African country who believe that events since November 1965—when Rhodesia issued its unilateral declaration of independence (UDI)—will probably color Rhodesia's future tobacco trade.

Some believe, for example, that because the Government has spent nearly $102 million to support production of some 300 million pounds of tobacco now in stockpile, it has an inherent interest in recouping some of this money before it invests additional funds in new tobacco support.

They also know that the United Kingdom is on the threshold of entry into the Common Market and that this may alter traditional Rhodesian-U.K. trade patterns. Undoubtedly U.K. entry into the Community would foreclose some of the preferential treatment Rhodesia enjoyed as a member of the British Commonwealth previous to UDI.

Rhodesian tobacco dealers also know that competition will probably be more severe than in the past. Part of the former Rhodesian trade was absorbed by other tobacco-producing countries that increased output after UDI to fill the void left when traditional customers stopped buying Rhodesian tobacco. The ability of Rhodesia to recapture all or part of its lost market will, in large degree, depend on production and sales plans of such countries as Malawi, Tanzania, Canada, the United States, South Korea, Thailand, India, Brazil, and Mainland China.

Cigarette manufacturers in countries that have reduced or eliminated imports of Rhodesian tobacco have gradually found substitute tobacco types. Most of these manufacturers are reluctant to change the tobacco in a successful product for fear the change in flavor will alienate large numbers of customers. Already having gone through the substitution process when the trade embargo was placed on Rhodesian products, cigarette makers may be unwilling to make the switch again in order to use Rhodesian tobacco.

Other questions are also being debated in Rhodesia. One of these is, how long will it take to reach pre-UDI levels of tobacco production, assuming the U.N. embargo is withdrawn? According to Salisbury newspaper accounts, some growers are confident that tobacco production can be restored to that point within a year; others believe it will take at least 3 years. A number of tobacco farmers went out of the business during the past 6 years and it will take them at least a season or two to become established again. This will probably slow down the speed of recovery.

A crop of some 145 million pounds is expected to be auctioned in March. The trade believes it can handle sales of this magnitude or even of 200 million pounds this year. It also believes it can cope with sales of up to 240 million pounds next season, but that crops in excess of these volumes may cause considerable disruption at the auctions.

Both the trade and growers are worried about the tobacco stockpile, and they expect the speed with which it is disposed of to exert a marked influence on production and sales. If the stockpile is reduced too rapidly, they argue, prices offered on the auction floors are bound to be depressed.

Opinions also differ on the question of whether the world's tobacco-product manufacturers will immediately return to Rhodesia for the auctions. There are only two auction floors now in operation in Salisbury. Doubts have been expressed about the ability of this number of floors to cope with a sudden large influx of new foreign buyers.

Many of the local men who bought tobacco on the Salisbury floors pre-UDI left Rhodesia to take posts in other countries. Whether they will again pull up their roots to return to Rhodesia to work on the floors there is not known at this time. It is certain, however, that many of them are now holding top positions elsewhere and doing very well.

Quotations can be given from a wide variety of sources to demonstrate contrasting opinions about the future of the Rhodesian tobacco trade, but the essence of them all can be embodied in the statements of just two men.

Evan Campbell, chairman of Rhodesia's Standard Bank, said in 1971 that Rhodesia would never regain its former position as a tobacco supplier because tastes have changed. On the other side is Sandy Firks, president of the Rhodesian Tobacco Association, who believes that Rhodesian tobacco will find ready markets at good prices, particularly now that high U.S. and Canadian prices may cause a further drop in sales to European markets.

Perhaps the truth is somewhere in between. —Based on a dispatch from

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Sudan Buys U.S. Wheat For the First Time Since Arab-Israeli Conflict

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Last October, a sales agreement was negotiated by the Sudan to import 150,000 tons of U.S. wheat, valued at $10 million under CCC credit. The first part of the shipment was due to arrive at Port Sudan in January.

This is the first shipment of an agricultural product from the United States since 1969 after diplomatic relations were broken off following the Arab-Israeli War.

Before the conflict, major suppliers of all imports were the United Kingdom, India, Egypt, Japan, and Italy. In 1969, the United Kingdom and India had retained their positions and Japan replaced Egypt in third place, while West Germany and Mainland China took over fourth and fifth spots.

The Sudan, which is about a third the size of the United States and has a population of a little more than 14 million, ranges topographically from extreme desert through sandy steppes to tropical savannalands and rain forests.

In the northern desert areas, most cultivation is under irrigation, but elsewhere there is sufficient rainfall for crops and livestock production. Of the Sudan's estimated 120 million acres suitable for agriculture, only about 22 million currently are under cultivation. Still the Sudan is basically an agricultural country, exporting farm products and importing mainly nonagricultural items.

During the sixties, however, the Sudan imported about 15 percent of its food needs on a value basis. The values ranged from $32 million to $58 million, with the high point reached in 1968.

Farm imports fluctuated during the sixties, rising 5 percent in 1966-68 over 1962-64, then dropping sharply in 1969, when they were 31 percent below the 1962-64 period. The decline was attributed to smaller imports of cereals, sugar, coffee, tea, and spices.

The U.S. share of the Sudan's agricultural imports, which were 11 percent in the early sixties, dropped to nothing in 1969. Most U.S. sales had been under P.L. 480 and were mainly cereals. Although diplomatic relations have not yet been restored, there is now a small cash trade between the two countries.

The United States supplied 5.4 percent ($14 million) of total imports in 1962 and only 2.8 percent ($7 million) in 1969.

Although values have fluctuated considerably, the makeup of major Sudanese farm imports did not change during the sixties. In 1969 as in the 1962-64 period, cereals, coffee, tea, spices, sugar, fruits and vegetables, and dairy products were the ranking imports. The United States was the leading supplier of wheat and wheat flour, largely under P.L. 480 until these shipments ceased following the Arab-Israeli war.

The Sudan's largest agricultural imports during 1969 were cereal grains and their products, mainly wheat and wheat flour. Total imports of $8.1 million in 1969 were about $2 million less than during 1962-65 and about $7 million less than in 1966-68.

The Sudan imported 32,200 metric tons of wheat in 1969, compared with 65,300 for 1966-68. Wheat flour imports totaled 71,000 metric tons in 1969, down from 108,800 in 1966-68. Until 1969, wheat and wheat flour imports had been expanding in line with urban demand, but foreign exchange shortages led to a smaller import budget for 1969.

Although the Sudan produces some wheat as a cash crop, the No. 1 cash crop—cotton—and the principal food crops—millet and sorghum—have first priority for crop land.

During the early sixties, the United States held 62.3 percent of the Sudan's wheat market and 74.6 percent of the wheat flour market. This share declined during the sixties until 1969, when U.S. exports to the Sudan stopped altogether.

The Sudan's next ranking import group—coffee, tea, and spices—rose sharply between 1962 and 1968 and declined more sharply in 1969, mainly because of the foreign exchange shortage.

Imports of sugar declined throughout the sixties, partly because of increased domestic production. The Sudan has the potential to expand sugar output even further.

Fruits and vegetables imports increased 12 percent during the sixties, totaling $4.1 million in 1969.

Imports of dairy products, mainly milk and cream, were up 22 percent in 1969 over the 1962-64 average in response to expanded urban demand. Value of milk and cream imports totaled $2.9 million in 1969.

Fats and oils imports, too, were up. They reached $1.4 million in 1969, nearly triple the 1962-64 average.

More than 95 percent of the Sudan's exports are of agricultural products. They increased 3 percent between 1962-64 and 1966-68, while total exports remained virtually the same. During 1969, however, both total and agricultural exports rose sharply by about 14 percent. The value of agricultural sales was about 45 percent of the annual computed value of production during the sixties.

The pattern of farm product exports did not change appreciably from 1962 through 1969. Cotton, oilseeds (mainly peanuts), gum arabic (an important ingredient in the drug and baking industries), and animal feeds maintained their positions and, except for oilseeds, export values rose. The other major export items were live animals, hides and skins, and fats and oils.

Cotton exports during the 1962-69 period increased 22 percent. In 1969, exports totaled 172,300 metric tons.

The major markets were India, Italy, West Germany, Mainland China, Japan, and the USSR. The United States took about 2 percent annually in 1962-68.

The Sudan uses modern farming techniques to produce more than half its cotton on the Gezira-Manazil irrigation scheme between the Blue and White Niles. This scheme encompasses some 2 million acres, of which 1.5 million are under cultivation. Cotton is grown on about 615,000 acres within the scheme boundaries.

Total cotton output in the Sudan has risen 18 percent over the last decade, from 212,000 metric tons in 1961 to 250,000 in 1971.

In recent years, the Sudan has expanded trade relations with Communist countries through bilateral trade and payments arrangements, and moved to restrict its trade with Western countries. However, agreements with the Communists reportedly have not always been satisfactory. Some countries have set national prices for some products needed by the Sudan. Others have resold Sudanese cotton to traditional Sudanese markets for less than Sudanese prices. As a result, bilateral trade arrangements have lost the Sudan an estimated $86 million in trade.

The recent wheat sale might open the door to further U.S. shipments of food grains under CCC credit and, if diplomatic relations are restored and the Sudan is eligible, P.L. 480 shipments again could be initiated.

The Sudan accounts for 80 percent of the world's total gum arabic exports. Between 1962 and 1968, the United States took from 23 to 27 percent of Sudanese gum arabic exports.

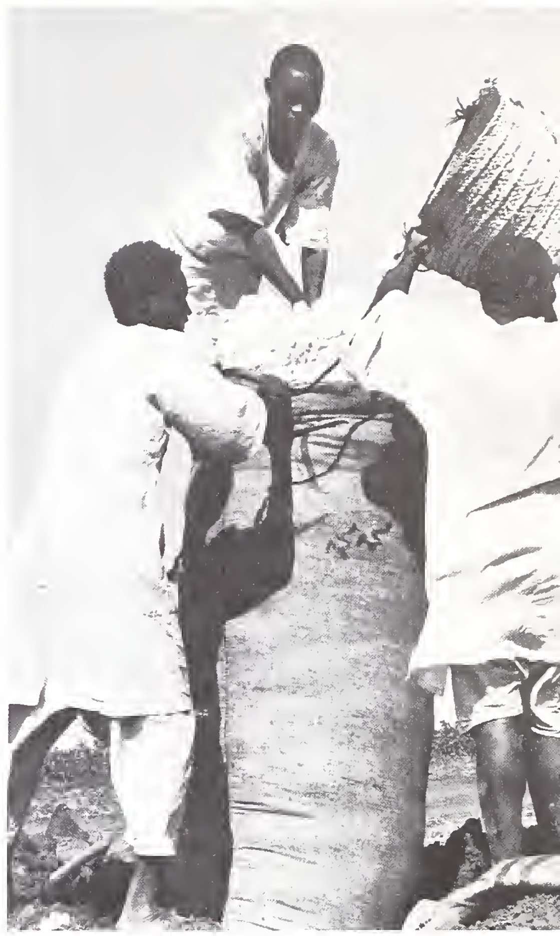
Traditionally, the Sudan has been the world's leading exporter of sesameseeds. Value of sesame shipments rose from $16.2 million in 1962-64 to $23 million in 1969. Sesameseeds are shipped mainly to Italy and Japan.

During the same period, peanut sales (mainly to Italy and West Germany) and cottonseed exports (mainly to the United Kingdom) dropped. Peanuts declined from $21.3 million to $17.2 million, while cottonseed went from $10.1 million to $4.3 million.

At the same time, oilseed cake and meal shipments (mainly to the Netherlands and West Germany) and vegetable oil exports (mostly to Egypt) continued to rise, reflecting expanded production of cotton and oilseeds.

Increased domestic crushing facilities have driven cottonseed exports down in favor of cottonseed products.

This is the second in a series of articles by members of the Foreign Regional Analysis Division on U.S. trade prospects in a number of Middle East and African countries.



Far left, selling peanuts in local market. Above, workers in the Gezira bagging cotton to be taken to the gin.

TOTAL VALUE AND U.S. SHARE OF THE SUDAN'S AGRICULTURAL TRADE

Item	Average 1962-64		Average 1966-68		1969	
	Value	U.S. share	Value	U.S. share	Value	U.S. share
IMPORTS	*1,000 U.S. dollars*	*Percent*	*1,000 U.S. dollars*	*Percent*	*1,000 U.S. dollars*	*Percent*
Dairy products and eggs	1,257	—	1,739	—	2,857	—
Cereals	9,980	56.0	15,062	34.0	8,055	—
Fruits, nuts, and vegetables	3,670	—	3,705	—	4,121	—
Sugar	18,365	—	9,391	—	7,792	—
Coffee, tea, cocoa, and spices	14,727	—	18,632	—	8,053	—
Oils and fats	423	—	853	—	1,362	—
Other	1,206	—	2,669	—	1,973	—
Total imports	49,628	11.2	52,051	10.1	34,213	—
EXPORTS						
Live animals	2,641	—	5,747	—	6,694	—
Cereals, unmilled	4,733	—	3,085	—	233	—
Cottonseed cake and meal	6,296	—	7,969	—	6,756	—
Other animal feed	3,472	—	4,655	—	5,241	—
Hides and skins	2,984	—	4,362	—	5,196	—
Peanuts	21,298	—	17,354	—	17,193	—
Sesameseed	16,189	.6	17,604	—	23,011	3.7
Cottonseed	10,095	—	3,073	—	4,274	—
Cotton	116,708	1.8	118,965	1.7	142,055	.6
Gum arabic	16,280	22.8	22,042	27.2	24,879	24.8
Oils and fats	2,656	—	2,738	—	2,752	—
Other	4,638	—	5,789	—	5,510	—
Total exports	207,990	2.9	213,383	3.8	243,794	3.2

Japan Has $7.7 Billion BOP Surplus in 1971

Japan's 1971 balance of payments surplus was $7.7 billion, a gain of $6.3 billion. Its official reserves rose $10.8 billion in 1971 and now stand at $15.2 billion, compared with $11 billion for the United States.

On the trade side, Japan's exports (c.i.f.) increased 24 percent to $23.6 billion while imports (f.o.b.) rose only 4.9 percent to $15.7 billion. Japanese exports to us rose 26.5 percent to $7.5 billion; their imports from us dropped 10.5 percent to $5.0 billion.

Japan increased its total imports of agricultural goods by 12.3 percent in 1971. Imports of U.S. food declined 9.5 percent, however. Major changes in Japan's agricultural imports from the United States were increases of 55 percent for beef, 4 percent for wheat, and 56 percent for raw cotton, and decreases of 37 percent for feed corn and 19 percent for grain sorghum.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 1	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	1.96	+1	[1] 1.97
USSR SKS-14	1.90	+3	1.99
Australian FAQ	(2)	(2)	1.88
U.S. No. 2 Dark Northern Spring:			
14 percent	1.93	+1	2.03
15 percent	1.96	−1	2.09
U.S. No. 2 Hard Winter:			
13.5 percent	1.79	0	1.98
No. 3 Hard Amber Durum	1.78	−3	2.01
Argentine	(2)	(2)	(2)
U.S. No. 2 Soft Red Winter	(2)	(2)	1.89
Feedgrains:			
U.S. No. 3 Yellow corn	1.41	−1	1.76
Argentine Plate corn	1.58	−2	1.77
U.S. No. 2 sorghum	1.46	−4	1.56
Argentine-Granifero sorghum	1.48	−5	1.55
U.S. No. 3 Feed barley	1.20	−5	1.50
Soybeans:			
U.S. No. 2 Yellow	(2)	(2)	3.35
EC import levies:			
Wheat [3]	[4] 1.62	−1	1.44
Corn [5]	[4] 1.11	0	.78
Sorghum [5]	[4] 1.05	+1	.91

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

FATS, OILS, AND OILSEEDS

Oilseed and Meal Imports Into Major Markets Up Slightly

Imports of oilseeds and meal into the eight major importing countries—Japan, West Germany, the Netherlands, France, Italy, Denmark, Spain, and the United Kingdom—during January-November 1971 totaled 15.48 million metric tons (soybean meal equivalent) or 0.7 percent above the volume for the same 11 months in 1970.

The slackened growth in 1971 contrasts sharply with the 13.1-percent growth of 1970 and average annual growth of roughly 8 percent during 1960-70. The below-trend growth in meal imports in 1971 reflected a downturn in the pork production cycle in certain West European countries as well as reduced feeder profitability in Japan.

Despite the below-trend growth in total imports which amounted to only 107,000 tons, soybeans and meal increased by 583,000 tons. Soybeans and meal accounted for 64 percent of the total in the 1971 period against 61 percent in 1970 and only 54 percent in 1969. Growth in exports from Brazil and the United States, together with increased movements of rapeseed and meal, flaxseed and meal, and copra and meal, more than offset declines in peanuts, fishmeal, sunflowerseed meal, and cottonseed meal.

In 1972, imports of oilseeds and meals are expected to register another below-trend increase. Meal prices are now higher than a year ago, reflecting below-trend growth in world output. Meal prices are now higher in relation to grain prices than a year ago. If this relationship continues, meal feeding rates could be adversely affected.

OILSEED AND MEAL IMPORTS INTO MAJOR MARKETS [1]

Commodity	1969	1970	Jan.-Nov. 1970	Jan.-Nov. 1971	Change from Jan.-Nov. 1970
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*Percent*
Soybeans and meal	7,983	10,258	9,301	9,884	+ 6.3
Fish meal	2,344	1,974	1,866	1,532	−17.9
Peanuts and meal	1,368	1,355	1,263	1,016	−19.6
Flaxseed and meal	599	683	603	670	+11.1
Cottonseed and meal	934	885	805	654	−18.8
Rapeseed and meal	471	432	379	594	+56.7
Sunflowerseed and meal	554	583	527	417	−20.9
Copra and meal	286	294	260	312	+20.0
Other oilseeds and meal	382	407	367	399	+ 8.9
Total	14,921	16,871	15,371	15,478	+ 0.7
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Soybeans and meal as share of total	53.5	60.8	60.5	63.9	+ 5.6

[1] Includes Japan, West Germany, the Netherlands, France, Italy, Denmark, Spain, and the United Kingdom. Data expressed in soybean meal equivalent basis.

MONTHLY MEAL IMPORTS INTO MAJOR MARKETS [1]

Month	1969	1970	1971
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
January	1,442	1,486	1,498
February	888	1,250	1,434
March	1,077	1,396	1,591
April	1,454	1,551	1,389
May	1,392	1,339	1,146
June	1,165	1,481	1,429
July	1,213	1,317	1,241
August	995	1,339	1,498
September	1,161	1,431	1,332
October	1,106	1,429	1,528
November	1,466	1,352	1,392
December	1,562	1,500	—
Total	14,921	16,871	[2] 17,000

[1] Includes meal equivalent of oilseeds. Data expressed in soybean meal equivalent. [2] Estimated.

FRUITS, NUTS, AND VEGETABLES

Hamburg Price Quotations for Canned Fruits and Vegetables

Quotations are importers' selling prices in Hamburg for canned fruits and juices in October compared with prices in the previous quarter and last year. Prices include duty and the sugar-added levy but exclude the value-added tax. Sales are in lots of 50-100 cases.

Type and quality	Size of can	Price per dozen units[1] Jan. 1971	Oct. 1971	Jan. 1972	Origin
CANNED FRUITS		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricot halves:					
Choice	2½	2.85	3.27	3.56	Greece
Do	2½	4.46	4.59	4.15	S. Africa
Not specified	2½	3.28	3.79	3.85	Spain
Peaches, halves:					
Choice	2½	4.48	5.04	4.99	U.S.
Do, light syrup	2½	4.10	4.34	4.40	S. Africa
Not specified	2½	2.95	3.34	3.17	Greece
Do	2½	—	4.30	4.26	Australia
Do	2½	—	4.12	4.22	Italy
Peaches, slices:					
Not specified	2½	—	4.08	4.04	U.S.
Standard	2½	—	—	3.82	U.S.
Regular	2½	3.54	3.94	3.93	Australia
Pears:					
Heavy syrup	2½	3.87	4.13	4.37	Italy
Fruit cocktail:					
Choice	2½	5.11	5.64	5.65	Australia
Do, 4 fruits	2½	4.92	5.06	5.14	Spain
Do, light syrup	2½	4.82	5.42	5.58	Australia
Heavy syrup	2½	5.57	5.78	5.95	U.S.
Not specified, 4 fruits	2½	—	4.52	4.73	Italy
Cherries, red pitted:					
Fancy, water pack	10	20.98	24.76	25.14	U.S.
Not specified	10	—	18.07	18.17	Greece
Do	3 kg.	16.89	19.16	15.78	Netherlands
Pineapple, whole slices:					
Fancy	2½	5.25	5.86	5.95	U.S.
Choice	2½	—	4.30	4.37	U.S.
Not specified	10	—	13.01	13.21	Taiwan
Do	2½	3.38	3.33	3.05	S. Africa
Do	2½	3.77	—	3.67	Ivory Coast
CANNED JUICES					
Grapefruit, unsweetened	43 oz.	3.48	3.65	4.00	Greece
Orange, unsweetened	0.2 ltr.	—	.90	.88	U.S.
Do	43 oz.	3.25	3.65	3.60	Greece
Do	2	1.80	2.02	2.06	Israel

[1] Conversion of deutsche mark prices to U.S. dollars at approximate parity existing when quotations were observed.

LIVESTOCK AND MEAT PRODUCTS

New Zealand Wool Prices Rise Sharply

At the January New Zealand wool sales, prices rose sharply to 74-85 cents per kilo, clean basis (40-46 U.S. cents per lb.)—20 percent above early December levels and the highest since 1966. Prices have since fluctuated but seem to be holding firm at around 15 percent above recent levels.

The Government of New Zealand feels that while the exchange rate agreement may have sparked the rise, continued firm demand suggests that significant changes may be taking place in the world supply-demand picture.

One source points to the following: Wool production has fallen off in most countries, the demand for carpets in the United States is recovering, and the demand for wool for the Japanese market continues strong.

TOBACCO

U.S. Cigarette Exports Continue Upward in 1971

U.S. cigarette exports in 1971 reached a new record 31.8 billion pieces worth $182.8 million. This was a 9-percent increase in quantity and a 15-percent increase in value from the previous record set in 1970. The 1971 record was 31 percent above the 1965-69 average in quantity and 54 percent in value.

Largest gains in numbers of cigarettes purchased from the United States were recorded by Belgium-Luxembourg, which took 1.6 billion more than in 1970, and Lebanon, which took 1 billion more. Ecuador, Hong Kong, and Spain each took about 700 million more. The largest loss was to Colombia, which took 826 million less. Significant losses were also recorded to Uruguay, Kuwait, and Italy. Hong Kong continued to be the largest customer. Belgium-Luxembourg and Spain were, respectively, the second and third largest.

Cigarette exports in 1971 represented about 6 percent of total U.S. cigarette production.

U.S. EXPORTS OF CIGARETTES

Destination	Average 1960-64	Average 1965-69	1970	1971[1]
	Million pieces	*Million pieces*	*Million pieces*	*Million pieces*
European Community:				
Belgium-Luxembourg	989.1	691.4	1,160.7	2,728.7
France	1,418.1	705.4	294.8	233.8
Germany, West	561.4	614.8	749.6	668.1
Italy	715.5	662.8	803.8	614.8
Netherlands	584.8	525.5	658.6	584.5
Total EC	4,268.9	3,199.9	3,667.5	4,829.9
Australia	442.6	453.9	372.0	410.0
Canary Islands	295.6	534.0	874.9	763.8
Colombia	205.5	381.7	1,422.1	596.3
Denmark	472.5	426.2	346.3	324.3
Ecuador	447.5	532.6	381.9	1,047.6
Hong Kong	1,916.9	2,563.4	3,167.5	3,823.6
Japan	444.8	460.5	633.3	872.7
Kuwait	1,073.2	1,203.1	1,184.0	887.3
Lebanon	418.0	597.1	495.5	1,510.2
Mexico	104.8	267.5	384.6	459.3
Morocco	525.8	382.3	317.1	456.2
Netherlands Antilles	1,035.9	1,363.6	1,406.3	1,529.8
Panama	588.4	868.6	1,221.7	1,601.8
Paraguay	259.7	1,214.5	574.4	560.3
Saudi Arabia	69.3	200.8	1,269.5	1,188.9
Singapore	787.0	415.1	574.4	560.9
Spain	986.7	1,716.9	1,744.8	2,391.1
Switzerland	467.3	769.6	1,383.8	1,208.8
United Kingdom	252.5	350.3	498.8	606.4
Uruguay	698.9	218.6	997.2	365.6
Other	7,292.7	6,197.5	6,236.3	5,796.8
Total	23,054.5	24,317.7	29,153.9	31,791.6
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Total value	102,400	119,075	159,021	182,824

[1] Preliminary. Bureau of the Census.

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FOREIGN AGRICULTURE

(Continued from page 3)

EC Discusses Price Supports

a cut in German prices. France and Italy are equally concerned that they may have to raise prices too much on top of the 1972-73 price increase proposed by the Commission. Germany, therefore, advocates no action—i.e., retention of separate price levels with compensatory taxes on trade between the Member States. France and Italy advocate price unification, but with moderation of the Commission's proposed prices for 1972-73 so as to avoid excessive inflationary pressure. The Benelux countries want prices to be unified at their level. France and Italy want this issue settled before the 1972-73 price increase is decided. The other members generally do not.

Exchange rate margins. If the EC countries permit their exchange rates to fluctuate to the maximum extent recently agreed by the "Group of Ten"—2.25 percent above or below a "central rate" vis-a-vis the dollar—then two EC currencies fluctuating in opposite directions could vary from each other by as much as 4.5 percent. If that should happen, any CAP price unification would be broken up again. New compensatory taxes would be needed in trade between members and with third countries.

France and Germany take directly opposing views of this situation. France says this monetary issue must be settled first in order to guarantee a stable solution to price unification and price increases. Germany says the EC should proceed with a price decision first and should keep the compensatory taxes as long as necessary.

The narrowing of exchange rate margins, however, is only partly an agricultural issue. German Finance Minister Schiller has said that this question needs to be resolved in the context of progress toward economic and monetary union. Among other things, this implies progress in the control of capital inflows and management of reserves, and the negotiation of lines of credit between Central Banks for purposes of exchange rate stabilization.

Structural reform. The Italians, who are the most reluctant to accept higher grain prices, tie their cooperation to the adoption of specific measures of structural reform, such as farm improvement aid. EC Member States, however, have made little progress toward agreement on reform measures. The Commission has been revising some of the mechanics of its ideas in the light of the debate thus far. (Further details on the measures under discussion are given in "The CAP under Pressure," Part I, *Foreign Agriculture*, Jan. 17, 1972).

The French, however, have raised a major objection of principle: whereas the Commission says these measures should be designed to bring farm income up to nonfarm income, the French say that no such comparison can be made. In some areas, farmers might well enjoy a standard of living comparable to that of other sectors even if farm income is 30 percent lower than nonfarm income. The French, therefore, recommend that absolute standards of efficiency be established for different kinds of farms, and that income goals be based on the income that might be expected on the model or "reference" farms.

Additional CAP regulations. Finally, as part of any 1972-73 price package the French say they want new CAPs for mutton and lamb and for alcohol. Further, the Italians and French are asking that the fruit and vegetable and poultry regulations be strengthened, providing for market intervention. (At present there is no intervention for poultry, and the Government steps in to buy fruits and vegetables only as a last resort at distress prices.) The Commission has promised to make proposals for fruits and vegetables at least later in May.

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